

The complaint

Mr U has complained about his car insurer Admiral Insurance Company Limited as he thinks it valued his car too low and unfairly disposed of it without his permission.

What happened

Mr U had an accident in May 2021 and made a claim to Admiral. Admiral said his car was a total loss and, after several revisions of its price, it offered him £3,590 as the market value of his car. With the £400 policy excess to be deducted from that figure before settlement. It also said the car was structurally damaged such that it could only be broken for parts (a category B write-off). Mr U felt the car was worth £6,000 and that Admiral's customer service was terrible. Admiral wouldn't change the value but accepted it had been difficult for Mr U to contact it. It sent him a cheque for £10.00. Mr U complained to us.

Following Mr U referring his complaint to us, Admiral increased its market value offer to £4,085, agreeing to pay interest on the additional sum due. Mr U still felt it wasn't enough and he was also unhappy that even though he had not agreed to a settlement figure, Admiral had disposed of his car. He felt this had prejudiced his chance to show its valuation was too low. Admiral offered Mr U £50 compensation but wouldn't amend its market value further.

Our investigator felt the market value, as amended by Admiral during the complaint to us, had been reached fairly. She said that whilst Mr U was understandably upset at his car being disposed of, it had been marked as a category B write-off. She didn't think Admiral could reasonably have been asked to hold on to it, or that, if it had, Mr U's position would have been materially different. She felt the compensation offered was fair. She said Admiral should pay the outstanding claim amount, plus interest and compensation as offered.

Mr U said Admiral had never told him of its intent to dispose of the car. He said if he had known he wouldn't have pursued the claim with it. Mr U said he would never have sold the car for less than £6,000 – so that is the figure the car was worth to him. Our investigator responded to Mr U and confirmed his complaint would be passed for an ombudsman's consideration.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and with regret for the upset I know this will cause Mr U, I've found along the same lines as our investigator. So, in short, I'm not upholding this complaint. I've set out my reasoning below.

I know Mr U feels that his car was worth £6,000 but his policy doesn't offer him cover for what he feels his car is worth, nor for what value he might have wanted to sell his car for if it hadn't been damaged. Rather the policy agrees, in the event of total loss, for the car's market value to be paid.

A car's market value is the price it would cost, in the general marketplace to replace with a similar car. This service usually finds it most appropriate to use industry trade guides to determine the market value for a car. Here, Admiral has explained that it's most recently derived market value figure of £4,085 was the average of two trade guide values of £4,070 and £4,100. I've seen those valuations and they are for a car matching Mr U's make and model, as well as reflecting the correct mileage. And I note that our investigator checked these guides and found similar figures. The guides do update, so some small change doesn't surprise me. But there is nothing to suggest that the fair and reasonable market value for Mr U's car is £6,000.

I know our investigator found a third trade guide returned a slightly higher value than the other two (£4,639) Admiral used. But it doesn't surprise me that Admiral didn't rely on the third guide as this service will often find it fair to discount a higher value which is out of line with the others. And, as our investigator explained the value Admiral came to of £4,085 was within the range of all three values returned. I think, on balance, Admiral reached its final valuation fairly and reasonably. So there are no grounds for me to make it pay more to Mr U.

As Admiral did not offer or pay this increased amount originally though, it will have to make a further payment to Mr U. And, as offered, that sum will have to have interest* added to it. Admiral has offered to pay this from 28 June 2021 which was the date the initial settlement amount was paid to Mr U. It will have to be applied until the additional amount is paid. I think that is fair and reasonable.

Mr U has said that if Admiral had not disposed of the car, he'd have been able to challenge it further on its value. I have to bear in mind that Admiral, having found the car was a category B write-off, had a duty under industry standards to ensure the car was disposed of. And whilst I know Mr U feels strongly that he could have successfully challenged Admiral on the car's value if it hadn't been scrapped, I'm not persuaded that is the case. I say that because so much of the car's market value depends on the trade guides which Admiral has already used to reach the settlement value on offer. If Admiral was still arguing that the car's condition meant it could fairly offer a value reduced from those set out in the guides, then my view might be different. In that instance a judgement call on the car's condition might be required which would, of course, be easier if the car still existed. But with Admiral's final offer, that isn't an issue anymore. I think Admiral though could have been clearer with Mr U about what would have happened with the car, and if it had, his frustration at what he perceived as a lost opportunity to challenge its settlement when he found out it had been disposed of, would have been avoided.

I know Mr U has also said he wouldn't have pursued the claim at all if he had been told earlier on that Admiral intended to dispose of his car. But the difficulty for Mr U is that Admiral did not know what course the claim would take until the car was assessed. And once it was assessed the engineer decided it was a category B write-off. At that point Admiral became bound to ensure the car was disposed of – whether or not Mr U chose to continue with the claim, the car couldn't be returned to him for him to use it or sell it for anything other than parts. And I haven't, seen anything that makes me think the car's parts would have fetched more than the market value for the car itself.

I believe Admiral has paid £10.00 to Mr U previously. Seemingly this was for the cost of calls he'd had to make to it. If that's been paid it won't have to pay it again. I note Admiral has now also offered £50.00 compensation for upset. In the circumstances here, I think that is fair and reasonable.

Putting things right

I require Admiral to pay Mr U:

- £495 – being the difference between what it paid to Mr U originally – £3,190, and its amended settlement value (£4,085), less the policy excess (£400) – £3,685.
- An amount equivalent to interest* on the sum of £495, applied from 28 June 2021 until settlement is made.
- £10.00, if it hasn't been paid already, for call costs.
- £50.00 compensation for upset.

My final decision

I require Admiral Insurance Company Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 8 September 2022.

Fiona Robinson

Ombudsman